

**Illinois Department of Revenue
Regulations**

Title 86 Part 160 Section 160.116 Persons Who Lease Tangible Personal Property to Exempt Hospitals

TITLE 86: REVENUE

**PART 160
SERVICE USE TAX**

Section 160.116 Persons Who Lease Tangible Personal Property to Exempt Hospitals

a) Effective January 1, 1996, computers and communications equipment utilized for any hospital purpose that are transferred incident to the sale of service to persons who lease those items to exempt hospitals are not subject to Service Use Tax providing:

- 1) the computers and communications equipment described above must be leased to a tax exempt hospital under a lease that has been executed or is in effect at the time of purchase;
- 2) the lease must be for a period of one year or longer; and
- 3) the lease must be to a hospital that has an active tax exemption identification number issued by the Department under Section 1g of the Retailers' Occupation Tax Act (see 86 Ill. Adm. Code 130.2007).

b) Effective January 1, 1996, equipment, other than that specified in subsection (a), used in the diagnosis, analysis, or treatment of hospital patients that is transferred incident to the sale of service to persons who lease that equipment to exempt hospitals is not subject to Service Use Tax providing:

- 1) the equipment described above must all be purchased for lease to a tax exempt hospital under a lease that has been executed or is in effect at the time of purchase;
- 2) the lease must be for a period of one year or longer; and
- 3) the lease must be to a hospital that has an active tax exemption identification number issued by the Department under Section 1g of the Retailers' Occupation Tax Act (see 86 Ill. Adm. Code 130.2007).

c) The service customer must provide the certification described below to the serviceman.

- 1) When this exemption may be properly claimed for computer or other communications equipment, the service customer must give the serviceman a certification stating that the computer or other communications equipment is for lease to a tax exempt hospital under a lease for a period of one year or longer executed or in effect at the time of

the purchase.

2) When this exemption may be properly claimed for equipment used in the diagnosis, analysis, or treatment of hospital patients, the service customer must give the serviceman a certification stating that the equipment is for lease to a tax exempt hospital under a lease for a period of one year or longer executed or in effect at the time of the purchase, and that the equipment is for use in the diagnosis, analysis, or treatment of hospital patients.

3) The certification described in subsections (c)(1) and (c)(2) of this Section must also contain all of the following:

- A) The serviceman's name and address;
- B) The service customer's name and address;
- C) A description of the tangible personal property;
- D) The service customer's signature and date of signing;
- E) The name and address of the hospital and its tax exemption identification number issued by the Department; and
- F) The date the lease was executed and the lease period.

d) For purposes of this Section, "hospital patients" means persons who seek any form of medical care including, but not limited to, medical treatment, testing, diagnosis, or therapy at a hospital or at another location under the control and supervision of a hospital. For example, persons who are sent by doctors for X-rays or other tests at qualifying hospitals, even though those persons are not admitted to those hospitals, are considered hospital patients.

e) If the computers or other equipment is used in a manner that does not qualify for the exemption or is used in any other non-exempt manner, the lessor is liable for the appropriate tax imposed under the Service Use Tax Act. In that event, the amount of Service Use Tax liability incurred is based on the fair market value of the computers or other equipment at the time the non-qualifying use occurred.

(Source: Added at 20 Ill. Reg. 16219, effective December 16, 1996)